

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 810

Short Title: General Fund Budget Reform.

(Public)

Sponsors: Senator Sands.

Referred to: State Personnel and State Government.

April 24, 1991

A BILL TO BE ENTITLED

AN ACT TO CHANGE THE BUDGET PROCESS BY LIMITING THE INCREASE
IN GENERAL FUND APPROPRIATIONS TO THE ESTIMATED GROWTH IN
PERSONAL INCOME, PLACING HALF OF CREDIT BALANCES IN A RAINY-
DAY FUND, SUNSETTING PROGRAMS, REQUIRING MAINTENANCE
RESERVES, PROVIDING FOR ANNUAL BUDGETS, AND REQUIRING
REVENUE ESTIMATES AND FISCAL NOTES TO COVER A FOUR-YEAR
PERIOD.

The General Assembly of North Carolina enacts:

PART 1. STATUTORY CHANGES

—REVENUE ESTIMATES/ANNUAL BUDGET

Section 1. The Executive Budget Act, Article 1 of Chapter 143 of the
General Statutes, is amended by adding the following new sections:

§ 143-2.1. Growth in General Fund expenditures limited.

(a) In preparing the budget for a fiscal year, the Governor shall not propose an
increase in expenditures from the General Fund which exceeds the growth in State
personal income for the most recently available period as published by the United States
government with the following changes only:

(1) If any revenue decreases were effective for only part of that calendar
year, an annualized total of the impact of such decreases;

(2) If the budget proposes any revenue reductions to be effective during
the fiscal year, the total estimated amount of such reductions during
the fiscal year;

1 (3) Any one-time revenues in the prior calendar year shall not be included
2 in the estimates; and

3 (4) If the budget proposes any revenue increases due to increases in taxes
4 or fees to be enacted, or new taxes or fees to be enacted, an estimate of
5 collections of such increased or new taxes or fees may be made.

6 (b) In enacting the budget for a fiscal year, the General Assembly shall not enact
7 an increase in expenditures from the General Fund which exceeds the growth in State
8 personal income for the most recently available 12-month period as published by the
9 United States government with the following changes only:

10 (1) If any revenue decreases were effective for only part of that calendar
11 year, an annualized total of the impact of such decreases;

12 (2) If the budget proposes or assumes any revenue reductions to be
13 effective during the fiscal year, the total estimated amount of such
14 reductions during the fiscal year;

15 (3) Any one-time revenues in the prior calendar year shall not be included
16 in the estimates; and

17 (4) If the budget proposes any revenue increases due to increases in taxes
18 or fees to be enacted, or new taxes or fees to be enacted, an estimate of
19 collections of such increased or new taxes or fees may be made, but
20 the revenue estimate for that fiscal year may not exceed the lower of
21 an estimate made by the Fiscal Research Division or an estimate made
22 by the Office of State Budget and Management.

23 (c) If the budget estimates any reversions at the end of the fiscal year ending
24 immediately prior to the beginning of the fiscal year covered by the budget, those
25 reversions not proposed for appropriation to the Permanent Rainy-Day Fund may be
26 proposed only for capital projects, or other projects with a fiscal impact only in that
27 fiscal year. The remainder shall be expended only as provided in G.S. 143-2.2.

28 (d) Revenue from borrowings in the prior calendar year shall not be included in
29 the estimates, unless expenditure of the funds is proposed during the fiscal year covered
30 by the proposed budget. Proposed revenue from borrowing in the proposed budget shall
31 only be included to the extent that appropriations against such borrowings are budgeted.

32 (e) If the General Assembly appropriates any credit balance in the State treasury
33 due to reversions at the end of the fiscal year ending immediately prior to the beginning
34 of the fiscal year covered by the budget, those reversions not appropriated to the
35 Permanent Rainy-Day Fund may be appropriated only for capital projects, or other
36 projects with a fiscal impact only in that fiscal year. The remainder shall be expended
37 only as provided in G.S. 143-2.2.

38 **"§ 143-2.2. Reserve Fund.**

39 (a) There is established in the State treasury a Permanent Rainy-Day Fund.

40 (b) Effective with the credit balance at the end of the 1991-92 fiscal year, the
41 General Assembly hereby appropriates to the Permanent Rainy-Day Fund one-half of
42 any General Fund credit balance in the State treasury at the end of the fiscal year ending
43 immediately prior to the fiscal year covered by the budget, provided that when the

1 amount in the fund equals seven per cent (7%) of the General Fund balance, no new
2 funds shall be added until the amount drops below that level.

3 (c) If the Director of the Budget determines:

4 (1) Pursuant to the provisions of G.S. 143-25 that the aggregate revenues
5 collected and available during a fiscal year are not sufficient to pay all
6 of the appropriations for that fiscal year in full; or

7 (2) Pursuant to the provisions of Article III, Section 5(3) of the
8 Constitution of North Carolina that receipts during a fiscal year, when
9 added to the surplus remaining in the State treasury at the beginning of
10 the fiscal year will not be sufficient to meet budgeted expenditures

11 he may, in his discretion, transfer funds from the Permanent Rainy-Day Fund to pay the
12 appropriations for the fiscal year in full. If the Director of the Budget decides not to
13 transfer the funds from the Permanent Rainy-Day Fund as provided in this section, he
14 shall proceed as provided in G.S. 143-25 or Article III, Section 5(3) of the Constitution
15 to administer the budget so as to prevent any overdraft or deficit.

16 (d) The General Assembly may make appropriations out of the Permanent Rainy-
17 Day Fund.

18 **"§ 143-2.3. Annual budget.**

19 The Governor shall propose and the General Assembly shall enact a budget
20 covering one fiscal year only, that being the fiscal year commencing on July 1 of the
21 year of enactment of the bill."

22 —SUNSET OF PROGRAMS

23 Sec. 2. Effective June 30, 1998, statutory authority for all programs operated
24 by the State, other than payment of debt service, expires and all authority for
25 appropriating and expending funds by the State lapses, provided that any new programs
26 established after July 1, 1991, expire two years after their effective date.

27 —FISCAL NOTES

28 Sec. 3. All overall revenue estimates prepared by the Office of State Budget
29 and Management, the Governor, or the Fiscal Research Division shall project expenses
30 for a period of at least four fiscal years.

31 —MAINTENANCE RESERVE

32 Sec. 4. Article 1 of Chapter 143 of the General Statutes is amended by
33 adding a new section to read:

34 **"§ 143-10.3. Budget to include item for repair and renovation.**

35 The Office of State Budget and Management shall require each department, bureau,
36 board, commission, institution, and agency to include in its budget an amount for each
37 square foot of building space it occupies to be placed in a reserve for repairs and
38 renovations. The amount per square foot shall be established by the General Assembly
39 for the next fiscal period in the Capital Improvements Appropriations Act. The reserve
40 shall be administered by the Office of State Budget and Management, and allocated
41 based on repair and renovation priorities derived from the Facility Condition
42 Assessment Program of the Office of State Construction."

1 Sec. 5. This act becomes effective for budgets beginning with the budget for
2 fiscal year 1992-93, except that G.S. 143-2.2 becomes effective beginning with the
3 credit balance at the end of fiscal year 1991-92.